



ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta,
& Karen Palladino

(212) 624-1132 (888) 885-6100

www.e-windham.com

NATURAL GAS & POWER MARKET REPORT FOR MARCH 1, 2011

NATURAL GAS MARKET NEWS

North American

Tennessee Gas Pipeline Company said Tuesday that it had declared force majeure due to a leak identified along its line in a remote section of Ohio. There was no impact to any homes or roads in the area and no customers were impacted.

The U.S. Department of the Interior announced today that it has canceled leasing efforts for offshore tracts in Alaska's Cook Inlet that was tentatively scheduled for later this year. The so-called lease sale 219, was called off because of a lack of sufficient interest by energy companies to search for oil or natural gas in the area. The last oil and gas lease sale in federal waters of the Cook Inlet was held in 2004 and no qualifying bids were received. There are currently no active federal leases in the Cook Inlet. With oil reserves mostly depleted, development interest in Cook Inlet had been confined to natural gas, but with the single biggest customer for natural gas in the region, the ConocoPhillips and Marathon LNG plant in Kenai scheduled to close this spring, interest in modest natural gas supplies has waned.

International

Imports of Libyan natural gas into Italy today remained at zero for the seventh consecutive day.

Korea Gas Corporation reportedly has entered into an agreement to buy 300,000 tonnes per year of LNG from Indonesia's Donggi-Senoro project. The project is slated to begin producing in 2014 and will have a capacity of 2 million tonnes per year. Some 70% of the output from the project will be sold into the export market. In addition two Japanese utilities have agreed to purchase a combined 1.3 million tonnes annually for 13 years.

Natural Gas Cash Market						
ICE Next Day Cash Market						
Location	Volume Traded	Avg Price	Change	Basis (As of 12:30 PM)	Change	Basis 5-Day Moving Avg
Henry Hub	426,900	\$3.931	\$0.004	\$0.032	\$0.222	\$0.095
Chicago City Gate	718,800	\$4.140	\$0.036	\$0.241	\$0.223	\$0.104
NGPL- TX/OK	1,108,200	\$3.849	\$0.010	(\$0.050)	\$0.197	(\$0.164)
SoCal	532,600	\$3.944	\$0.025	\$0.045	\$0.212	(\$0.025)
PG&E Citygate	1,083,400	\$4.143	\$0.002	\$0.244	\$0.189	\$0.159
Dominion-South	416,700	\$4.165	\$0.039	\$0.266	\$0.226	\$0.093
USTRade Weighted	21,320,100	\$4.082	\$0.035	\$0.183	\$0.22	\$0.095

The Qatari LNG tanker, the Al Mafyar is expected to arrive in the UK around March 19th according to ship tracking services. The vessel has a capacity of 266,000 cubic meters.

Thailand's first LNG import terminal is expected to become operational by July. The facility has a 5 million tonne per year capacity with a second phase planned that would double the plant's capacity.

India's Reliance Industries reportedly has signed a two-year contract with Hazira LNG to import a cargo of LNG every month to be delivered to Hazira terminal on India's west coast.

The Ukrainian state energy firm, Naftogaz said it would purchase some 6 bcm of gas from Russia in March, down 4.8% from February.

Norway said Tuesday that it would delay again a decision on whether to finance a carbon capture project. The investment decision has now been put off until 2016.

Naftogaz said today that it is planning an IPO launch around 2013. But before any shares could be sold in the company, existing Ukrainian laws would need to be changed, since current laws bar the privatization of Naftogaz.

ELECTRIC MARKET NEWS

The U.S. EPA said today that it was extending the deadline requiring many business to report their greenhouse gas emissions. The deadline had been March 31st, but will be extended until later this summer, when it will have a user-friendly online electronic platform in place for companies to report their emissions.

The New York based GreenX exchange said Tuesday that it would resume spot carbon trading in the European Union when Austria identifies emissions permits stolen in January. The exchange has about a 10% share of the carbon futures market. Ice Futures Europe also remains closed. The Dutch bourse Climex said today it was permanently closing its spot CO2 trading business as a direct result of this year's EUA thefts. While the European Commission has said that companies with stolen EUAs can still use these to match against their emissions, but companies remain nervous about holding them because there is no single European rule on liability for reimbursement of victims. The GreenX exchange is also looking to launch next year a contract based on the Californian cap and trade scheme which will kick off next year. The exchange estimates the California market could in three years be 30-40% of the size of the European market, if other states and Canadian provinces participated.

ECONOMIC NEWS

An advisory committee to the CFTC recommended today that the agency require trading firms to implement internal checks on algorithmic and high frequency trading, including limits on quantity, price collars and a "kill button". The committee suggested mandating internal controls but allowing the firms and exchanges to set the actual limits and price parameters that would trip these controls.

The US Institute for Supply Management said the US manufacturing sector grew at its fastest rate since May 2004 in February. Its PMI increased to 61.4 in February from 60.8 in January.

The US Commerce Department said spending on construction projects in the US fell in January, the second month in a row. Construction spending fell by 0.7% to a seasonally adjusted annual rate of \$791.82 billion compared to the prior month. Spending in December fell by 1.6%, revised up from a previously estimated decrease of 2.5%.

A senior World Bank official said that a sustained period of higher oil prices would significantly affect developing economies but is unlikely to derail their strong recovery since the financial crisis. It said an increase in the oil price could impact economic growth in developing countries by between 0.2% and 0.4% if it remained high for a year or longer.

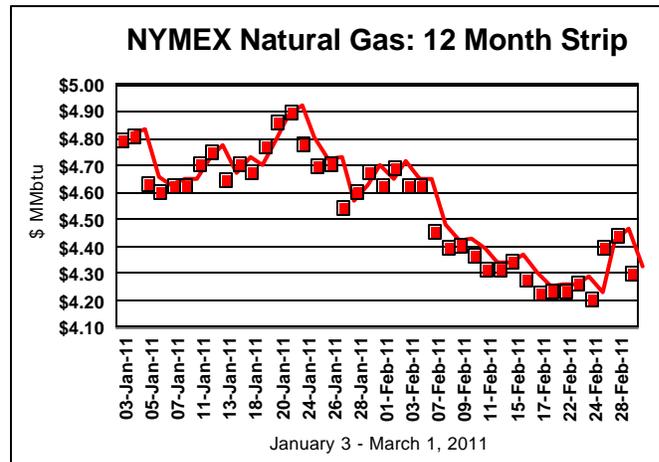
The European Commission expects oil prices to average about \$100/barrel this year. EU Economic and Monetary Affairs Commissioner Olli Rehn said the average oil price last year was about \$80 and was expected to increase to \$102/barrel this year.

The euro zone's manufacturing sector expanded at its fastest pace in nearly 10 years in February. The Markit Eurozone Manufacturing Purchasing Managers' Index increased to 59 in February from 57.3 in January. The euro zone manufacturing PMI output index increased to 61.4 from the previous month's 59.4.

British manufacturing growth held at a record level in February. The Markit/CIPS headline manufacturing Purchasing Managers' Index stood at 61.5 in February, unchanged from a downwardly revised 61.5 in January.

The Bank of Canada kept its main interest rate unchanged at 1% on Tuesday and gave no signal it plans to increase it soon. It said underlying inflationary pressures remained subdued.

China's official PMI in January increased to 52.2%. HSBC reported that China's PMI fell to a seven month low of 51.7 from 54.5% in January.



India's manufacturing sector expanded at its fastest rate in three months in February. The HSBC Markit Purchasing Managers' Index increased to 57.9 in February from 56.8 in January. The new orders index increased for the third consecutive month to 62.4 in February compared with 60.7 in January.

MARKET COMMENTARY

While most commodity markets and particularly the oil markets headed higher today, the natural gas market headed in the other direction, lower. The market basically erased most of the gains of the modest prior two day rally today once values breached the \$4.00 level shortly after the start of the floor session this morning, as it appeared traders finally focused on yesterday's report on domestic natural gas production increasing yet again in December. Price continued to erode through the session and finished the day down near the lows of the day just above a minor support line drawn off the lows of last Thursday and Friday, which today stood at \$3.852. We see support to start the day tomorrow at \$3.862 followed by \$3.822 and \$3.776. Additional support we see at \$3.71, \$3.656 and \$3.41. Minor resistance we see at \$3.949, \$3.978 and \$4.007. More significant resistance we see at \$4.10, \$4.196, \$4.311 and \$4.426.

The 12-month strip for natural gas today closed at \$4.303, and it appears will retest the recent support at \$4.20 once again.

The information contained in this letter is taken from sources, which we believe to be reliable, but is not guaranteed by us as to accuracy or completeness and is sent to you for information purposes only. The Windham Group bases its market recommendations solely on the judgment of its personnel. Reproduction in whole or part or other use without written permission is prohibited.